

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

x

In re QIAO XING SECURITIES LITIGATION

Master File No. 07-CV-7097 (DLC)

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**DEFENDANTS' MEMORANDUM OF LAW IN SUPPORT OF
FINAL APPROVAL OF THE SETTLEMENT**

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Pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, Defendants Qiao Xing Universal Telephone, Inc. (“Qiao Xing”), Rui Lin Wu, Albert Leung, Zhi Yang Wu, Sonny Kwok Wing Hung, Ze Yun Mu, and Yi Hong Zhang (collectively, the “Qiao Xing Defendants”) submit this memorandum of law in support of final approval of the proposed class action settlement (“Settlement”), as set forth in the Stipulation of Settlement dated February 25, 2008, and in support of certification of the proposed class for settlement purposes. The Qiao Xing Defendants take no position on Lead Plaintiff’s proposed Plan of Allocation or on Lead Plaintiff’s application for an award of attorneys’ fees and reimbursement of costs and expenses.

The Qiao Xing Defendants vigorously deny and disclaim any wrongdoing or liability in connection with the claims and allegations asserted against them in this case, but have nevertheless concluded that further defense of this case will be substantially burdensome, expensive, and distracting to Qiao Xing’s management. The burden that this case imposes on the Qiao Xing Defendants is especially acute because Qiao Xing’s directors and officers insurance carrier has preliminarily denied coverage for the claims asserted in this case, potentially leaving Qiao Xing to bear the litigation costs and any damages on its own. Moreover, the Qiao Xing Defendants are based in China and have no prior experience with this type of litigation; thus, the burdens, uncertainties and risks of the litigation are particularly onerous to them.

The Qiao Xing Defendants have entered into the Settlement to alleviate the burden, expense, and uncertainty posed by the case. The Settlement is fair, adequate, and reasonable, and is the product of arm’s-length negotiations before Magistrate Judge Henry Pitman. *See In re WorldCom, Inc. Sec. Litig.*, 388 F. Supp. 2d 319, 336–37 (S.D.N.Y. 2005) (Cote, J.) (stating that a district court should “carefully scrutinize the settlement to ensure its fairness, adequacy and reasonableness, and that it was not a product of collusion” and should consider a settlement’s

fairness by examining the negotiating process and the settlement's substantive terms (quoting *D'Amato v. Deutsche Bank*, 236 F.3d 78, 85 (2d Cir. 2001)); *see also Wal-Mart Stores, Inc. v. Visa U.S.A. Inc.*, 396 F.3d 96, 116 (2d Cir. 2005) (noting the "strong judicial policy in favor of settlements, particularly in the class action context").

The Qiao Xing Defendants also support certification of the class for settlement purposes. *See In re Global Crossing Sec. & ERISA Litig.*, 225 F.R.D. 436, 450–51 (S.D.N.Y. 2004) (granting class certification for settlement purposes where the actions met requirements of Rules 23(a) and (b) and granting final approval of a partial settlement); *see also Denney v. Deutsche Bank AG*, 443 F.3d 253, 269–70 (2d Cir. 2006) (stating that prior to certification "for any purpose—settlement, litigation, or otherwise," requirements under Rules 23(a) and (b) of the Federal Rules of Civil Procedure must be met).

Accordingly, the Qiao Xing Defendants respectfully request that the Court grant final approval of the Settlement and certify the class for settlement purposes.

Dated: New York, New York
July 9, 2008

MORRISON & FOERSTER LLP

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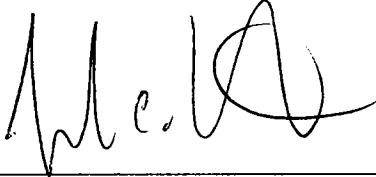
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CERTIFICATE OF SERVICE

I, Joel C. Haims, counsel for the Qiao Xing Defendants, hereby certify that on this date, July 9, 2008, I caused to be served, through this court's ECF system, by email, and by regular U.S. mail postage prepaid, a copy of the attached Memorandum of Law in Final Approval of the Settlement upon the following:

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